OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Version

March 31, 2010

# Operations of the Office

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

July 2010

The Honourable George Hickes
Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to transmit herewith my report titled, *Operations of the Office for the year ended March 31, 2010*, to be laid before Members of the Legislative Assembly in accordance with the provisions of Sections 26(2) and 28 of The Auditor General Act.

Respectfully submitted,

**Original document signed by:**
**Carol Bellringer**

Carol Bellringer, FCA, MBA
Auditor General

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To Table of Contents

# Table of Contents

Message from the Auditor General ..... 1

1.0 Our Role and Purpose ..... 4

2.0 Risk Management ..... 8

3.0 Our Audit Activities and Outputs ..... 10

4.0 How We Carry Out Our Work ..... 20

5.0 Our Performance ..... 27

6.0 Financial Accountability ..... 30

Appendices

Appendix A: The Auditor General Act

Appendix B: Listing of Audit Entities

Web Version

# Message from the Auditor General

*The Auditor General Act* (The Act) requires me to report to the Assembly before August 1 of each year on the performance of my Office and to provide the external audit report on the accounts of the Office.

I am proud of the work of the fine group of highly dedicated, hard-working professionals in the Office of the Auditor General of Manitoba. Each is dedicated to serving the Legislature and through them, the public of Manitoba. Our audit staff do this through their work in one of five service lines: financial statement audits including information technology audits, value for money audits, special audits, strategic initiatives and quality assurance and professional practices. A central team in administration support all of the audit teams.

Our Office directly audits the Province's Public Accounts as well as approximately 30 other financial statements each year. We contract with private sector audit firms to audit 15 additional financial statements on our behalf and we overview the work of private sector audit firms who audit the financial statements for all other government organizations. These audits result in audit opinions about the completeness and accuracy of the financial statements. We report to the Legislature by December 31 of each year on anything resulting from this work that we consider should be brought to the Assembly's attention. Section 10 (2) of The Act lists examples of improper accounting or non-compliance that we would include in that report. However, the nature of matters to the brought to the Assembly's attention is not limited to that list and requires us to interpret the needs of the Legislature. For 2009-10, our report to the Legislature about our audit of the Public Accounts included a report on public sector compensation disclosure reporting. For 2010-11, we will report on which government organizations have audit committees, we will summarize their conflict of interest policies and we will report on whether they use competitive bidding practices for services and products they procure.

Our value for money audit, special audit and strategic initiatives teams work on other project audits. We added an additional staff member to this team in 2010 to increase our project audit time. Reports were issued on a wide variety of government operations: A Study of Board Governance in Crown Organizations (September 2009); Audits of Government Operations – Meeting Manitoba's Obligations Under the 1997 Treaty Land Entitlement Framework Agreement, Personal Care Homes Program, Assessment Services Branch and Members' Allowances (November 2009); Follow-up of Previously Issued Recommendations (March 2010) and most recently the Winnipeg Regional Health Authority – Administration of the Value-Added Policy (June 2010). We select these projects

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to provide the Public Accounts Committee (PAC), a Standing Committee of the Legislature, with diverse, high quality reports to inform the work of the Committee.

Last year, we highlighted the significant progress that has been made by PAC. The work of PAC is important to ensure that public assets are safeguarded and public funds are spent wisely. All of our reports are referred to the PAC. Progress continued this year and we attended 12 PAC meetings during the 2009 calendar year and five during 2010 to provide Members of the Legislature with further information about our audit reports. The backlog of reports to be considered by the Committee has been eliminated and notices of meetings for five more meetings have been issued for the period up to November 2010. Committee members have shown a commitment to further administrative improvements. While efforts must be sustained, the major concerns we previously reported have been addressed and we applaud the progress to date.

The updated list of project audits selected for 2010-11 are described in Section 3. The projects which are carried over from last year are: Climate Change, The Special Needs Program, Taxation, Food Safety, Forks North Portage, Grant Accountability, Manitoba Development Corporation, Manitoba Public Insurance, Provincial Nominee Program, Society for Manitobans with Disabilities, and Wireless Security. We have added the following project audits to the list: RM of St. Laurent, a Child and Family Services Agency, Framework for an Ethical Environment in Government, the Crown Board Appointment Process, Special Operating Agencies, Economic Stimulus Spending, Management of Consulting Services, the Estimates Process and eHealth. Many of these audits are already in progress. Once complete, they will be issued publicly.

Our Office disclosed in the 2009 Operations Report that we would be conducting an audit of risk management at Manitoba Hydro. Subsequent media reports and public disclosures by a whistleblower linked this audit to a disclosure made under The Public Interest Disclosure (Whistleblower Protection) Act that had been forwarded to our Office by the Ombudsman. I confirmed this at a Public Accounts Committee meeting on October 21, 2009.

A public discussion took place related to my previous participation on the Board of Directors of Manitoba Hydro from September 15. 2004 to July 2006 prior to my most recent appointment as Auditor General. My appointment as Auditor General was through an all-party committee of the Legislature in 2006, with unanimous agreement by all of the committee members who were aware of my previous participation on the Board of Hydro. Despite my assurances that I would design the audit and hire an external auditor to lead the audit team to provide for additional safeguards, the public attention to the matter was significant and

Web Version



Return to Table of Contents

certain members of the Legislature were uneasy with my involvement. I decided to return the complaint to the Ombudsman and I contracted with the former Auditor General of British Columbia to provide me with advice about how to proceed. Consistent with his advice, we have deferred the risk management audit but are monitoring the ongoing work of the Ombudsman and the Public Utilities Board related to risk management at Manitoba Hydro.

In addition to our financial statement and other project audits, our Office is involved in a number of other related activities. We follow up all external correspondence received and make enquiries on behalf of concerned citizens. One of our Audit Principals in the Strategic Initiatives team works primarily on board governance related matters. This includes regular contact with provincial public sector boards of directors speaking about effective governance. Additional Office activities include: twinning with the Kenya National Audit Office through the CCAF-FCVI Inc.; participation in the Canadian Conference of Legislative Auditors and its committees; representation on the Auditing and Assurance Board and a Public Sector Accounting Board Task Force; participation on committees of the Manitoba Institute of Chartered Accountants; board membership on CCAF-FCVI Inc. and the local chapter of the Institute of Corporate Directors. We continue to train accounting students and were pleased to assist the Comptroller's Office this year by providing work experience and educational support to one of their students. We are proud of our students' success rate – 100% of our students passed the national examination which is the first step to becoming a Chartered Accountant. One of our students was on the national honour role, being the only writer in all of Manitoba to achieve that high level of success.

We look forward to the busy year ahead. We also look forward to continuing to work collaboratively with all Members of the Manitoba Legislature, the Public Accounts Committee and the public service on behalf of all Manitobans.

Carol Bellringer, FCA, MBA
Auditor General

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# 1.0 Our Role and Purpose

## Our Mandate

*The Auditor General Act* (Appendix A) establishes the Office of the Auditor General as an independent entity, reporting to the Legislative Assembly. The Auditor General is appointed for a 10 year renewable term. The current Auditor General was appointed in July 2006.

The Auditor General has the authority, under The Act, to audit all government organizations and recipients of public monies and to provide Members of the Legislature with independent information, advice and assurance on whether:

- public money has been spent with proper regard for economy and efficiency;
- the Legislative Assembly has been provided with appropriate accountability information from government organizations (e.g., annual reports, the Public Accounts); and
- government organizations are complying with financial and administrative legislation, regulations, policies and directives.

With respect to internal operations of the Office, The Act gives responsibility for such matters to the Auditor General.

Our clients are Members of the Legislative Assembly (MLAs), and through them, the citizens of Manitoba. Government organizations and recipients of public monies are the beneficiaries of our work.

The Office of the Auditor General recently undertook a thorough review of its Legislation. There are several areas in The Act which require significant interpretation, other areas which require amendment and other areas which are not addressed but which have become a part of the mandate through other Legislation (such as The Public Interest Disclosure (Whistleblower Protection) Act).

We will discuss these matters with appropriate officials and will report back to the Legislature on our progress next year.

## Our Finances

The Legislative Assembly Management Commission (LAMC), an all-party Legislative Committee, reviews and approves our annual budget. LAMC is also responsible for approval of the auditor selected to audit our Office's financial statements. Frostiak & Leslie Chartered Accountants Inc., were re-appointed to conduct the financial statement audit of our Office for the period 2006/07 to 2010/11.

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Our Office's audited financial statements for the year ended March 31, 2010 are presented in Section 6 of this Report.

## Our Vision

That the Office of the Auditor General is an accessible, transparent and independent audit office, serving the Manitoba Legislature with the highest standard of professional excellence.

## Our Desired Outcomes

- Government organizations that focus on the achievement of results.
- Meaningful and user friendly public performance reporting by government organizations.
- Strong monitoring function by the Public Accounts Committee and the Legislative Assembly regarding the expenditure of public funds.

## Our Objectives

- That our work adds value to the management systems and practices of government organizations. (Section 3.0)
- That our work provides Members of the Legislative Assembly with relevant information. (Section 3.0)
- That we manage our internal business effectively. (Section 4.0)

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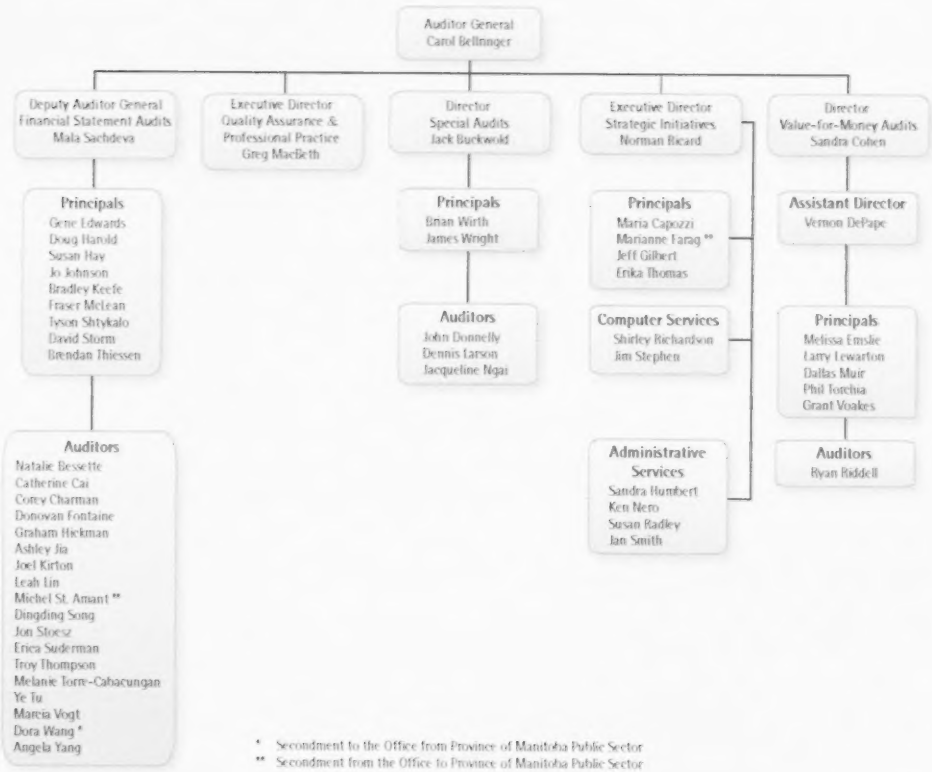
## Organizational Structure

Our organizational structure and members of our staff as at March 31, 2010 are presented below.




* Secondment to the Office from Province of Manitoba Public Sector
** Secondment from the Office to Province of Manitoba Public Sector

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Return to Table of Contents

## The Public Accounts Committee of the Legislature

The Public Accounts Committee (PAC) is an all party Standing Committee of the Legislature Chaired by a member of the official opposition and Vice-Chaired by a member of the governing party. The PAC's primary role is to examine the financial administration of public assets and spending of public funds.

We include a section in our Operations Report on the PAC because of the partnership between the Office of the Auditor General and the PAC in the accountability cycle. Our relationship to the PAC extends on a number of fronts: under our legislation, our reports to the Legislature are referred to the PAC; the Auditor General is expected to attend meetings of the PAC; and PAC may request the Auditor General to examine and audit the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money.

During its meetings, the PAC considers our audit reports and when it has concluded its deliberations, it passes our reports. Passing our audit reports means that the Committee has completed its consideration of the report and has no further questions/aspects to examine regarding that report.

The PAC is required by the Rules of the Legislative Assembly to hold between six and eight meetings in each calendar year. The PAC held 12 meetings during the 2009 calendar year. In March of 2009, Notices of Meetings for 11 PAC meetings were issued covering the period from March to October 2009. In April of 2010, Notices of Meetings for 11 PAC meetings were issued covering the period from April to November 2010, five of which have already been held and one of which was cancelled.

Of note is that each meeting notice specifies the reports to be discussed, thereby providing the PAC members, government officials and our Office with adequate time to prepare for the discussions. In 2008 we reported that 21 of our reports had not yet been dealt with by PAC. In addition to the reports already scheduled for discussion at the upcoming PAC meetings, only three reports have not been scheduled as at the date this report.

The progress at the PAC remains noteworthy. Last year a part-time researcher was made available to the Committee to provide them with additional support. Deputy Ministers continue to be invited to appear as witnesses on a regular basis, the Committee has been operating in a more non-partisan fashion and all Members are probing more effectively to understand program operations. All of these initiatives are extremely positive steps forward for the PAC. We again commend the Chair, Vice-Chair, PAC members and other Members of the Legislature and officials who assisted in making this happen.

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While efforts must be sustained and certain administrative improvements are necessary, our major concerns reported in the past have been addressed and we applaud the progress to date.

Reports Scheduled for a PAC Meeting:

**August 18, 2010:**

- Audit of the Public Accounts for the fiscal year ending March 31, 2008
- Audit of the Public Accounts for the fiscal year ending March 31, 2009

**October 20, 2010:**

- Audits of Government Operations – November 2009 – Chapter 3: Assessment Services Branch

**November 3, 2010:**

- Audits of Government Operations – November 2009 – Chapter 4: Members' Allowances
- Operations of the Office for the year ended March 31, 2009

**November 17, 2010:**

- Follow-Up of Previously Issued Recommendations – A Review dated March 2010

The remaining reports are to be scheduled by PAC:

1. Audits of Government Operations – November 2009 – Chapter 1: Meeting Manitoba's Obligations Under the 1997 Treaty Land Entitlement Framework Agreement
2. Special Audit: Rural Municipality of La Broquerie - March 2008
3. Winnipeg Regional Health Authority – Administration of the Value-Added Policy – May 2010

## 2.0 Risk Management

Risk Management is the process of making and carrying out decisions that will minimize the liabilities and effects of possible adverse events (risks) on an entity's performance. We have established controls to reduce the likelihood that identified risks would adversely affect our ability to achieve our mandate and objectives. We are actively looking for solutions to the challenges identified.

Web Version



Return to Table of Contents

## Independence

We need to maintain our independence in order to ensure that we provide objective advice to MLAs. To address the risk of loss of independence or perceived loss of independence, we comply with the standards of our professional associations and have policies and procedures dealing with due care and objectivity, conflict of interest and political affiliations.

The Act states that "Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with The Civil Service Act." We have historically interpreted that to mean that we are required to follow Civil Service Commission (CSC) and Treasury Board Secretariat (TBS) policies and procedures with respect to hiring, compensation and classification of staff positions. Following those policies and procedures while also being their auditor has the potential for conflict.

## Credibility

Our reputation is critical to our success. Therefore we must avoid the risk of providing inappropriate or inaccurate assurance and advice. We strive to do this by using best practices in legislative auditing, including strong quality control practices. We welcome peer reviews from professional bodies and our legislative audit colleagues.

## Relevance of Work

In order for our work to be beneficial to our clients, we must ensure that our reports are meaningful to them. We do this by ensuring our audits deal with significant public sector issues.

Through on-going environmental scans, we are able to remain current on areas of strategic importance for our audit work. For instance, we maintain contact with Members of the Legislature and government officials; we hold discussions with members of the Public Accounts Committee; monitor Hansard and media reports; maintain contact with our colleagues in other jurisdictions and various professional associations in which we hold memberships.

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### Resources and Competencies

The quality of our assurance and advice is dependent on the knowledge, skills and ability of our employees. To be successful we need to be able to recruit and retain high quality professionals. We do this by providing a work environment that supports on-going opportunities for our staff to further develop their skills and by supporting a proper work-life balance.

It is an Office priority to continue strengthening our in-house capacity in the areas of information technology and VFM audits. Staffing efforts have, and continue to, emphasize this.

## 3.0 Our Audit Activities and Outputs

Our audit activities include financial statement, project, and special audits as well as governance reviews. Our output takes a variety of forms including: audit opinions, audit advice, management letters, and reports to the Legislature. In addition, we make a wide variety of presentations on our work to government organizations and at conferences, symposiums, and workshops. Beyond providing observations and recommendations, our reports identify good management practices and learnings that are of general relevance to public sector organizations.

### Allocation of Audit Time

**Audit Time Allocations**

| | *2009/10* | *2008/09* |
|---|---|---|
| Financial Statement and related Information Technology Audits | 63% | 60% |
| Project and Special Audits; Governance Reviews | 37% | 40% |
| Total | 100% | 100% |

We set a goal to equally balance the time spent on Financial Statement and related Information Technology Audits with the time spent on Project Audits, Special Audits and Governance Reviews combined. Nonetheless, the total time spent on Project Audits, Special Audits and Governance Reviews has decreased because of additional financial statement efforts required. In particular, work was expended by staff in place of consultants in the information technology audit area which contributed to this. During 2010/11, we will revisit this goal and determine whether our current audit time allocations meet the needs of the Legislature.

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## Linking Our Objectives to Our Results

| *Our Objectives* | *Our Strategies* | *How we Monitor our Performance* |
|---|---|---|
| That our work adds value to the management systems and practices of government organizations.<br><br>That our work provides MLAs with relevant information. | 1. Providing the Legislative Assembly and government organizations with audit products that meet professional standards while being clear and easy to understand. | • Through our quality control process. **(Section 5.0)**<br>• Through our post audit survey. **(Section 5.0)**<br>• Through ongoing discussions with Members of the Legislative Assembly. |
| | 2. Providing fair and balanced audit conclusions. | |
| | 3. Providing proactive advice and maintaining constructive client/audit entity relations. | |

| Strategy No. 1: | To provide the Legislative Assembly and government organizations with audit products that meet professional standards while being clear and easy to understand. |
|---|---|

## Financial Statement Audits

Strong financial stewardship by government organizations is critical. One of the central ways in which we support financial accountability is through the annual audit opinions we provide on the financial statements of government organizations and the Public Accounts of the Province. We promote transparency, as well as fair and accurate representation in public sector budgets and financial reporting.

Financial statement audit activities include:

- undertaking the necessary examinations to be able to provide audit opinions on annual financial statements, special reports, and public sector compensation disclosures as well as management letters with recommendations on financial management, internal control, compliance, or general operations;

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- conducting overviews of government entities, which may also encompass file reviews of the work conducted by private sector auditors. (This work is necessary for our reliance on the work of the private sector firms for inclusion of their clients' financial statements into the Summary Financial Statements for the Province);
- undertaking special reports on financial information, including claims;
- reviewing compliance with legislation to the extent required for the issuance of financial statement opinions;
- working in partnership with the private sector audit firms that we have retained as our agents to provide some of our financial statement attest audits; and
- reporting to the Legislature about the examinations and audits under Section 9 of the Auditor General Act, including anything resulting from the work that we consider should be brought to the Assembly's attention.

*Highlights of Output in 2009/10*

- Provided attest audit opinions or overviews to over 175 government organizations. (See Appendix B for attest audits conducted by the Auditor General's office and attest audits conducted by private sector accounting firms with overviews by the Office of the Auditor General) and audit opinions on government organizations' compliance with the reporting requirements of the Public Sector Compensation Disclosure Act.
- Our Office only audits 17% of these entities directly, however their financial results are all included in the Public Accounts.
- Issued audit opinions on the Public Accounts of Manitoba in accordance with the statutory deadline and issued the Audit of the Public Accounts report to the Members of the Legislative Assembly in December 2009, released publicly in January 2010. As part of our Report to the Legislature, we included a report on public sector compensation reporting practices by public sector bodies in Manitoba and outlined recommendations for improvement.
- Issued management letters to our attest audit clients as required.
- Provided feedback on audit plans, draft financial statements, and management letters prepared by private sector auditors during the course of their work on financial statement audits of government entities.
- Participated on the Public Sector Accounting Standards' Board Task Force on Environmental Liabilities which resulted in a new accounting standard.

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- Continued to expand the capacity of our Information Technology Audit Services area by hiring a second IT audit principal and supporting three staff members towards completing their Certified Information Systems Auditor (CISA) designation.

## Project Audits

Project audits consist of value-for-money audits and investigations.

Value-for-money auditing examines programs and services in order to identify the level of performance achieved and opportunities for improving operations and ultimately results. In carrying out value-for-money audits, we examine management practices, operating systems, processes, and control mechanisms. Some of our value-for-money audits are cross-government – i.e., examinations of a given topic of strategic importance across departments or across other types of government organizations (e.g., Crown Corporations).

When a project audit is conducted by our Special Audit team, the typical reason for selecting that audit is to confirm or dispel allegations. In addition to investigating the allegations, these project audits incorporate value-for-money considerations. The special audit team are experienced forensic accountants who also rely on the assistance of external consultants to find out what happened, why and what is recommended to avoid similar situations in the future.

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## *Highlights of Output in 2009/10*

| | | |
|---|---|---|
| November 2009 | Aboriginal and Northern Affairs: Treaty Land Entitlement | The audit examined whether the Province had developed adequate systems and practices to fulfill its obligations under the 1997 Treaty Land Entitlement Framework Agreement, including processes for: identifying and resolving parcel selection issues, communication and coordination amongst government departments, communication with First Nations, managing information, planning, dispute resolution, and monitoring and reporting performance. |
| | Health and Healthy Living: Personal Care Homes Program | The audit examined the Department's processes for ensuring the quality of care in personal care homes; assessment and placement procedures for personal care home admission, including management of wait lists; long term capital planning for meeting future personal care home bed needs; and processes for ensuring personal care home financial and operational accountability, including funding mechanisms and public performance reporting. |
| | Assessment Services Branch | The audit examined the Branch's processes for: charging municipalities for assessment services; conducting assessments; inspecting properties on a periodic basis; verifying sales; maintaining an up-to-date costing system; monitoring compliance with policies; and monitoring assessment results. |
| | Legislative Assembly: Members' Allowances | The audit examined whether Member Allowance and Printing claims made by Members of the Manitoba Legislature were appropriate, adequately supported and paid to Members in accordance with the Members' Allowance Regulation. The audit covered 100% of claims for the two-year period from April 1, 2006 to March 31, 2008. |
| May 2010 | Winnipeg Regional Health Authority | The audit examined the WRHA's purchasing process, specifically the administration of the Value-Added policy. The audit also examined whether WRHA Board or Committee members, senior management or other employees benefitted personally from Value-Adds. |

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## Special Audits

### *Audits Conducted Under Section 16 of The Auditor General Act*

Section 16 of our Act enables us to respond to requests from the Minister of Finance, the Lieutenant Governor in Council, or the Standing Committee on Public Accounts to undertake audit work if we determine that the work would not interfere with our primary responsibilities. The Minister of Finance made a request during the year for our Office to "expedite a special audit of the issues raised in a complaint received from a consultant who was formerly under contract to Manitoba Hydro." Given that I decided to return that complaint to the Ombudsman as explained below, we did not proceed with this request.

Our Office disclosed in the 2009 Operations Report in July of 2009 that we would be conducting an audit of risk management at Manitoba Hydro during the 2009/10 fiscal year. Subsequent media reports and public disclosures by a whistleblower linked this audit to a disclosure made under The Public Interest Disclosure (Whistleblower Protection) Act that had been forwarded to our Office by the Ombudsman. I confirmed this at a Public Accounts Committee meeting on October 21, 2009.

A public discussion took place related to my previous participation on the Board of Directors of Manitoba Hydro from September 15, 2004 to July 2006 prior to my most recent appointment as Auditor General. My appointment as Auditor General was through an all-party committee of the Legislature in 2006, with unanimous agreement by all of the committee members who were aware of my previous participation on the Board of Hydro. Despite my assurances that I would design the audit and hire an external auditor to lead the audit team to provide for additional safeguards, the public attention to the matter was significant and certain members of the Legislature were uneasy with my involvement. I decided to return the complaint to the Ombudsman and I contracted with the former Auditor General of British Columbia to provide me with advice about how to proceed. Consistent with his advice, we have deferred the risk management audit but are monitoring the ongoing work of the Ombudsman and the Public Utilities Board to address risk management at Manitoba Hydro.

### *Allegations*

Allegations are brought to our attention throughout the year. During 2009/10 we received 34 allegations (2008/09 – 25 allegations) requesting that our Office investigate. We conduct preliminary examinations of all such matters in order to determine which ones are within our mandate and which ones are better investigated by another organization, such as the Office of the Ombudsman or directly by a government department. For all allegations, we have been taking them into consideration when we complete our annual audit plan.

Web Version

The increase in the number of issues being brought to our attention is of concern. Since The Auditor General Act does not include a complaint mechanism, we are not able to report back to the individuals who bring concerns to our attention without following the procedures outlined in the Act for reporting to the Legislature. However, we will be initiating smaller scope audits in 2010/11 of all allegations we receive. We will follow up actions being taken by appropriate officials and will report this work to the Legislature.

## Governance Reviews

We conduct reviews and assessments on issues related to the corporate governance of public sector boards of directors, as well as give presentations and workshops upon request. Enhancing the effectiveness of public sector governance practices contributes to improved organizational performance and stronger accountability processes.

### *Highlights of Output in 2009/10*

| | | |
|---|---|---|
| September 2009 | Study of Board Governance in Crown Organizations | The report examines the corporate governance practices of 50 Crown organizations, based on a survey of all Board members and Executive management. The report also provides a discussion of leading practices and common issues in providing effective governance in the public sector. |
| 2009/10 | Presentations and Workshops | Presentations made by the Auditor General and/or Director during 2009/10 included the Regional Health Authorities, Manitoba Teachers' Society, University of Manitoba, Manitoba Museum, University College of the North, Manitoba Pension Forum, Health Sciences Centre and Travel Manitoba. |

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## Our Planned Activities for 2010/11

The following list includes audits and reviews which may be nearing completion, others which are in the planning stage, and those which we anticipate starting before the end of the 2010/11 fiscal year. We have not indicated the stage of completion, as we consider everything as "in progress" until such time as our work is reported publicly.

The *Auditor General Act* requires that a report about the examinations and audits conducted be made at least once in each year. The Act also permits a special report to the Assembly on any matter of pressing importance or urgency that should not be deferred until the annual report is presented. We plan to issue our annual audit report in November as it is the usual timeframe for a fall sitting of the Legislature. Also, the various chapters in a single report will provide the Public Accounts Committee with a full list of audits to be scheduled. We will issue individual reports as "special reports" to the Assembly, if necessary.

We plan to conduct the following audits of:

**Climate Change** - The Province's framework for measuring progress towards it's climate change goals.

**Department of Education, Citizenship & Youth** - The Special Needs Program delivered through the public school system, as directed by the Department.

**Department of Finance** - Taxation collection and taxation audit processes in the Taxation Division.

**eHealth –** Controls in place around the electronic health records program.

**Estimates Process –** The underlying systems supporting the estimates projections.

**Food Safety** - The controls in place to protect the public in areas of food safety.

**Forks North Portage** - The Province's role in managing Forks North Portage.

**Framework for an Ethical Environment in Government –** The government's framework for ensuring a strong understanding of appropriate public sector values and ethical expectations within the civil service.

**Governance Examination –** The Province's process for appointing board members to Manitoba's Crown Corporations.

**Grant Accountability** - Processes in place in select departments to monitor and evaluate grants.

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**Management of Consulting Services** – management by core government and crown organizations of contracts awarded to outside consultants.

**Manitoba Development Corporation** - Processes in place to ensure that loans under the Manitoba Industrial Opportunities Program and investments under the Venture Capital Program are provided on an appropriate basis.

**Manitoba Public Insurance (MPI)** - The processes in place at MPI to manage bodily injury claims.

**Provincial Nominee Program** - The Province's Provincial Nominee Program as managed by the Department of Competitiveness, Training and Trade, including the effectiveness of controls in place by the Province to protect immigrants sponsored under the Program.

**RM of St. Laurent** – Allegations in the rural municipality of St. Laurent.

**Society for Manitobans with Disabilities (SMD)** - Whether provincial funding to SMD is being spent in a manner consistent with the service purchase agreement between the Province and SMD.

**Special Operating Agencies** – Whether administrative efficiencies have been achieved through the establishment of Special Operating Agencies.

**Wireless Security** – The controls in place to effectively manage wireless networks across the government reporting entity.

Web Version

## Follow-Up Report on Previously Issued Audit Recommendations

As a result of our audit work, we develop recommendations for management. To determine whether our recommendations have been implemented requires follow-up work.

Typically we follow-up on the status of recommendations included in our project and special audit reports within three years of issuing the report and annually thereafter.

We track the implementation status of our recommendations by requesting progress reports from the audited entities. We review the progress reports submitted by audited entities for plausibility and summarize the implementation status.

In March 2010 we tabled our Follow-up Report. We summarized the status of 555 recommendations remaining to be addressed included in 27 reports issued between 1997 and 2006. We noted that 464 (84%) of our recommendations can be considered cleared, with only seven of those reflecting recommendations which management indicated they do not intend to implement.

| Strategy No. 2: | To provide fair and balanced audit conclusions. |
|---|---|

## Our Value-for-Money Auditing and Reporting Process

Essential to our ability to make fair and balanced audit conclusions is our understanding of the subject of our examination. Some of our audits involve complex subjects which may also be quite technical in nature. When necessary, we supplement our knowledge of business by obtaining external expertise.

To help ensure the completeness and accuracy of the work we undertake and the fairness of our reporting on it, staff from our Office maintain ongoing communication with senior management throughout the audit process. When we undertake a value-for-money audit, we provide the entity that we are auditing with an opportunity to advise us of areas of concern for inclusion in our audit and to give us feedback on proposed audit criteria. We discuss with senior management and staff potential audit issues as they arise. Prior to preparing an audit report we meet with senior management to discuss key findings, conclusions and recommendations. Moreover, senior management and any person named in our reports are given an opportunity to review our draft report and to submit written comments on our recommendations; these comments are considered for inclusion in our final report.

Prior to issuing a report, we are required by legislation to provide a copy of it to the Minister responsible for the program area that was audited as well as the Minister of Finance with a 14 day notice that we will be releasing the report. Final reports of the Office are submitted to the Speaker for tabling with the Legislative Assembly. Each report is automatically referred to the Standing Committee on Public Accounts.

| Strategy No. 3: | To provide proactive advice and maintain constructive relations with our client and audit entities. |
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Apart from undertaking audits, we believe that another important way for us to meet our objective of adding value is through timely advice that can assist and support government organizations to prevent problems from occurring. We undertake this role in a variety of ways. Throughout the year, we responded to requests for advice on various issues from government organizations including: financial reporting, accountability, and board governance. We have extended the secondment of a senior member of our staff to a central government initiative to help facilitate the modernization of the comptrollership function government wide.

We believe that taking active steps to foster constructive relations with our client and audit entities is essential to our ability to add value through our work. The Auditor General therefore holds regular meetings with our client (members of the Legislative Assembly) and monitors their proceedings in the House in order to stay current on matters of significance and risk.

In addition, we strive to maintain open and transparent communication with officials throughout the audit. To that end, our audit processes are structured to provide the audited organization with on-going communication and feedback. We monitor our performance by using post audit surveys.

Web Version

# 4.0 How We Carry Out Our Work

This section briefly describes key aspects of how we operate in order to be able to generate independent assurance and advice pursuant to our mandate and to deliver the products identified in Section 3.0. In carrying out our work, we are guided by a set of operating principles as follows:

## Operating Principles

***Independence***

We conduct our work in an objective and unbiased manner.

***Balanced Perspective***

We put forth well considered and fair conclusions based on analysis of all opinions and where appropriate, reporting on strengths as well as weaknesses.

***Teamwork***

We work together cooperatively and in a coordinated manner to achieve a common goal.

### *Accountability*

We are accountable for our individual contributions to the products and services provided by the Office.

### *Value-Added Work*

We provide the Legislative Assembly with value-added reports.

### *Professional Conduct*

In carrying out our work, we adhere to the Office values of: respect, honesty, integrity, and openness.

### *Professional Excellence*

We maintain sound audit methodology and meet the professional standards and competency requirements of our Office.

### *Financial Stewardship*

We use taxpayers' money efficiently and effectively.

Web Version

## Linking Our Objectives to Our Results

| *Our Objective* | *Our Strategies* | *How We Monitor Our Performance* |
|---|---|---|
| That we manage our internal business effectively. | • Sustaining our professional capacity and being an employer of choice. | • Tracking the amount of time allocated to professional development and training. **(Section 5.0)**<br>• An employee satisfaction survey was conducted in February 2010. **(Section 5.0)**<br>• Number of student accountants who pass the final exam for chartered accountants. **(Section 5.0)**<br>• Our quality control process (which includes our Operating Principles). **(Section 5.0)** |
| | • Implementing leading administrative practices suitable for a legislative audit office. | • On-going environmental scans of new/emerging government of Manitoba policies/practices (e.g. competency based hiring and staff performance evaluation; sustainable development), and through discussions with our colleagues in other jurisdictions and various professional associations in which we hold a membership. |
| | • Exercising appropriate financial stewardship over the funding allocated to us by the Legislative Assembly Management Committee. | • Financial Accountability. **(Section 6.0)** |

### Strategy No. 1: Sustaining our professional capacity and being an employer of choice.

Web Version



Return to Table of Contents

## Professional Standards

The Canadian Institute of Chartered Accountants (CICA) is adopting International Standards on Auditing. These standards will be known as Canadian Auditing Standards (CAS) and will be effective for audits of financial statements with periods ending on or after December 15, 2010.

As well, the source of generally accepted accounting principles (GAAP) in Canada for profit and not-for-profit organizations is being replaced. This will result in different GAAP standards in Canada. Effective for periods beginning on or after January 1, 2011:

- Financial statements of publicly accountable for-profit entities will follow International Financial Reporting Standards (IFRS);
- Financial statements of for-profit entities that are not publicly accountable will follow Accounting Standards for Private Enterprises or IFRS; and
- Pension plans will follow accounting standards for pension plans.

The most appropriate accounting standards for not-for-profit organizations in the private and public sectors are being determined by the CICA and Public Sector Accounting Board (PSAB). Organizations would continue to follow existing not-for-profit standards until new standards are approved. The CICA and PSAB are proposing, effective for periods beginning on or after January 1, 2012 to:

- Maintain not-for-profit standards for private sector organizations. The entities would also be allowed to select IFRS as their basis of accounting instead of not-for-profit standards; and
- Incorporate existing not-for-profit standards into the PSAB handbook for the public sector organizations.

GAAP for the public sector will continue to be set by PSAB.

We are preparing for the changing standards by determining how the changes in auditing standards are going to affect the way we conduct our audits and the impact of the changes in financial reporting standards on the financial statements of the government organizations we audit. We are training our staff and ensuring that our audit methodologies meet the requirements of the new standards.

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## Professional Development

Generally accepted auditing standards require that staff conducting audits have adequate technical training and proficiency in auditing. On an annual basis, staff are exposed to a wide variety of training opportunities some of which are provided in-house. In other cases, staff pursue individual training through seminars or short courses offered through external sources. We also invite guest speakers throughout the year to provide presentations on topics that help to maintain the knowledge of our staff about emerging issues within government organizations.

We also support individual staff members in the pursuit of specialist audit training applicable to the legislative audit environment including designations in the following:

- Information Technology Audit Specialist;
- Certified Fraud Examiner/Investigative and Forensic Accountant; and
- Certified Internal Auditor.

We are pleased to report that Catherine Cai, Doug Harold and Joel Kirton all passed the CISA examination in 2009/10.

## Our Designation as an Articling Office

The Office is approved by the Institute of Chartered Accountants of Manitoba as a training office and supports articling students in their pursuit of the Chartered Accountant (CA) designation. In 2009/10, we employed 7 full-time articling students. During the past year, we assisted students in completing their CA School of Business (CASB) requirements. The Office fosters an environment of continuous learning to ensure all educational requirements are met. The Office's Student Recruitment Development Committee supports students throughout their CASB studies, and preparation for the Uniform Final Evaluation (UFE) exam.

During the current year, three of our students passed the UFE. The successful candidates were Natalie Bessette, Ashley Jia and Angela Yang. As well Natalie Bessette placed on the National Honour Roll for her examination results.

## Competency Model

Competencies are those characteristics and behaviours that underlie performance on the job. Our Office's competency model is primarily based on the model developed by the Civil Service Commission of Manitoba with some adaptations to suit our context. Our model groups the competencies that our staff must meet into 7 categories:

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- Leadership,
- Professional/Technical,
- Reasoning/Judgment,
- Managing for Results,
- Communicating Ideas, Findings, and Conclusions,
- Relationship Building, and
- Personal Effectiveness.

Our performance management system has been designed to ensure skill development focuses on the most critical competencies for the staff member's position.

## CCOLA

The Office is a member of the Canadian Council of Legislative Auditors (CCOLA), which consists of the Auditors General from each jurisdiction across Canada. We meet twice a year to discuss emerging issues and share practices in carrying out our mandate as legislative auditors. CCOLA has established several working committees. Our staff are represented on these committees. Participation on CCOLA and its committees is of collective benefit to the legislative audit community by giving us access to each others' knowledge, information, and expertise. The CCOLA committees that we participated on in 2009/10 are:

- The Strategic Issues Group;
- The Human Resources Network;
- Health Study Group;
- Education Study Group;
- P3 Discussion Group;
- The Peer Review Committee;
- The Training Oversight Group;
- The Information Technology Committee; and
- The Governance Study Group.

The Provincial Auditors General entered into a memorandum of understanding with the Office of the Auditor General of Canada to benefit from the services of a National Professional Practices Group (NPPG). The NPPG provides us with technical accounting and auditing advisory services and training support, on an as-needed basis.

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## Twinning Project - National Audit Office of Kenya

The CCAF-FCVI (Canadian Comprehensive Auditing Foundation) with financial support from CIDA (Canadian Industrial Development Agency) have been assisting the Supreme Audit Institutions (SAIs) of partnering developing countries to contribute to sustainable economic growth by improving accountability, transparency and good governance. As part of the international program, "fellows" from SAIs spend a year in Canada receiving training in Value-for-Money auditing. In 2007, CCAF began the pairing or "twinning" of a provincial Legislative Audit Institution in Canada with SAIs. Jointly the partners identify the topic in which the LAI will serve as a mentor and technical advisor. Manitoba was so twinned with the National Audit Office of Kenya (KENAO) in 2008.

Twinning activities in 2009/10 took place in Nairobi, Kenya. In October, 2009, the Auditor General of Manitoba joined representatives from CCAF, the Deputy Auditor General of Canada, the Chair of Canada's Public Accounts Committee and a former Provincial PAC Chair to deliver a workshop to senior staff of the KENAO and then to attend a workshop for members of Kenya's Parliamentary committees charged with oversight responsibilities.

| Strategy No. 2: | Implementing leading administrative practices suitable for a legislative audit office. |
|---|---|

## Office Support Functions

The Office's administrative services provide a wide range of functions to help us carry out our mandate including:

- in-house formatting and printing of our reports;
- providing our staff with computer services, including co-ordination of our website upgrades;
- safeguarding our Office assets including information;
- updating when necessary our Office policies and procedures;
- preparing our annual budget, financial statements, monthly statements with variance explanations and other comptrollership responsibilities; and
- providing human resource management support.

Web Version

# 5.0 Our Performance

## Post Audit Survey

At the conclusion of our financial statement audits, we forward a survey to the audit committee and senior management requesting feedback on our performance and suggestions for improvement. As part of the survey, we asked our clients to provide us with an overall assessment of whether they are satisfied with the delivery of our services, the skills and knowledge of the audit team, the value added to their organization and our performance. In 2009/10, we received a 42% response rate to our survey.

Overall, our survey found that 64% of our clients are satisfied with our performance and the way we deliver our financial statement audit services. While none of our clients rated us below average, we recognize that there is always room for improvement and continue to work towards enhancing our services.

## Quality Control

As legislative auditors, we must exercise significant professional judgment in carrying out our work and reporting our findings and opinions. For this reason, we have in place a quality control process designed to provide us with reasonable assurance that:

- we are complying with professional standards, regulatory and legal requirements and internal policies; and
- the opinions and reports issued are appropriate in the circumstances. Key elements of our quality control system include maintaining:
    - qualified staff;
    - adequate supervision and review throughout the audit process;
    - an internal challenge process to ensure that our work is fair, balanced, meets professional standards, and produces appropriate audit reports and practical recommendations; and
    - an independent quality review of files and reports for all assurance service areas in our office.

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The Institute of Chartered Accountants of Manitoba (ICAM) routinely conducts inspections of audit firms involved in the practice of public accounting as defined in the General Provisions of the ICAM By-laws. Although we are not an audit firm and as such are not required to undergo an inspection, we voluntarily participate in this process. In April 2009, ICAM conducted an inspection of the Office's financial statement auditing practice and concluded that we are operating in a manner consistent with professional standards. The next inspection is scheduled for 2012. As well, we participate in peer reviews facilitated by the Canadian Conference of Legislative Audit Offices (CCOLA). In May 2009 a peer review was conducted on a 2007/08 financial statement audit. This review also indicated that the audit was conducted in a manner consistent with professional standards

## Professional Development and Training

Time and expenditures spent on professional development and training are depicted in the graphs below.

Figure 1

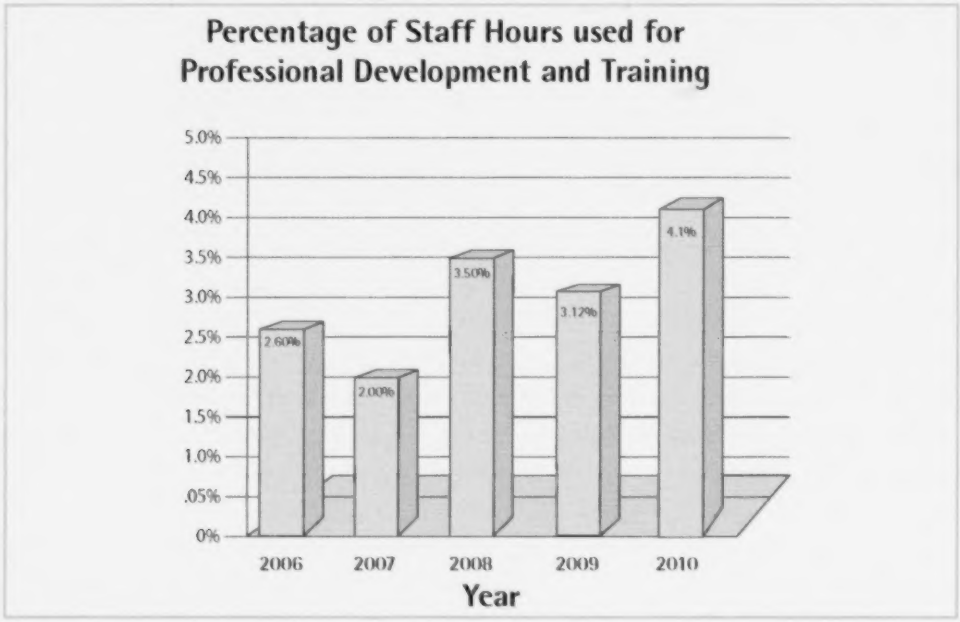


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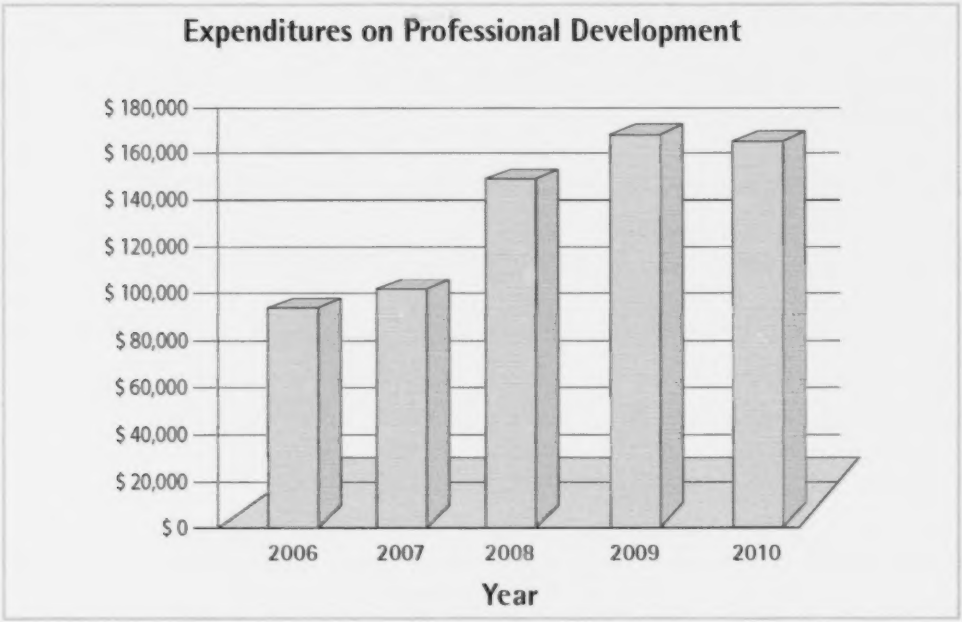
Figure 2




The nature of the professional development and training provided to staff varies from year to year. In 2009/10, the Office continued to make a significant investment in the development of its chartered accountancy students, and in providing opportunities for its staff to attend courses, seminars, workshops and conferences on varied topics including: value-for-money auditing, investigative and interviewing techniques, International Financial Reporting Standards, information technology and general management practices.

## Employee Satisfaction Survey

An employee satisfaction survey was conducted in February 2010 utilizing electronic voting technology in an interactive group process. All staff in attendance chose to participate in the survey (96%). The survey indicated that:

- 81% are satisfied overall to be working with our Office.
- 81% find their work to be interesting and meaningful.
- 84% feel that their work makes an important contribution.
- 96% feel they have positive relationships with their co-workers.
- 78% feel the Office allows for a good work-life balance.

Web Version

# 6.0 Financial Accountability

This section provides an analysis of our expenditures and explanations of any significant variances from the previous year's expenditures.

The audited financial statements for the Office are presented at the end of this section.

## Our Budget Process

As per Section 27(3) of The Auditor General Act, the Office receives funding from the Legislative Assembly appropriations. The Auditor General annually presents to the Legislative Assembly Management Commission (LAMC) an estimate of the amount of money that will be required for the purpose of conducting the work of the Office for the forthcoming year.

The Office maintains a bank account from which its operating expenses are paid. Advances are provided by the Province up to the amounts approved by LAMC.

Note 5 to the financial statements summarizes the approved funding for the past two years. In both years, the Office managed within its allocated funding and returned unexpended balances to the Consolidated Fund in accordance with Section 27(4) of The Auditor General Act.

## Year's Operations

Overview of 2009/10 financial results:

- Provincial funding increased $1.0 million over the prior fiscal year. The additional funding was provided to cover the cost of office renovations and to cover increases in salary and benefit costs ($410,000). Renovations took place because the office's lease was extended for 10 years and because vacant staff positions were filled which required additional office space.
- During the fiscal year, capital costs of $670,000 were incurred, of which $610,000 relates to the office expansion and renovations.
- Salaries and benefits expense increased $2.4 million over the prior year. $2.0 million of the increase reflects that the prior year's salaries and benefits include an actuarial pension gain of that amount. Excluding the effect of the pension gain on prior year's salary and benefits, costs rose $410,000 due to a general salary increase, promotions, merit increases and reduced vacancy levels.

Web Version



Return to Table of Contents

- The increase in rental costs occurred due to a 3,900 square foot increase to our leased office space and higher costs per square foot. The new lease agreement was negotiated by the Department of Infrastructure and Transportation and took effect in 2009/10.
- The increase in administration costs is due primarily to non capital costs incurred during renovations, to cover charges for space used to relocate staff while the renovations were taking place.
- Unexpended funding remained high at $813,000 (2009 - $742,000). We lapsed $135,000 of our renovation allocation of approximately $745,000 and $678,000 from our salary and operating expenditure allocation. In 2009/10 several staff positions were kept vacant until renovations were complete. Plans are in place to fill these positions in 2010/11.
- The Office is the financial statement auditor for a number of government related entities that account for their financial activities outside of the Consolidated Fund. The Office charges a fee for this service. Such fees are recorded as audit fee revenue and represent a recovery of the salaries and other expenses paid for by the Office with money received from the Consolidated Fund. The fees collected from these organizations totalling $562,000 are returned to the Consolidated Fund (2008/09 - $544,000).
- For a number of audits, the Office engages auditing firms to conduct the audit work on our behalf. We refer to such firms as our agents. When we use an agent to conduct an audit, the audit fees collected from an organization are not returned to the Consolidated Fund, but rather are used to pay our agent. In 2009/10, this totalled $300,000 (2008/09 - $316,000).
- Section 23 (b) of the Auditor General Act states that "the Auditor General may charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council." The Order in Council setting out that basis was issued in 1991 and requires the cost to be based on average salary rates, including vacation and holidays, for each group employed in the Office exclusive of senior supervisory staff as at the commencement of each year. An additional 58% cost is applied to cover other indirect costs. The rate was last calculated in 1999, which is not consistent with the Order in Council. We will be reviewing our billing practices in 2010/11.

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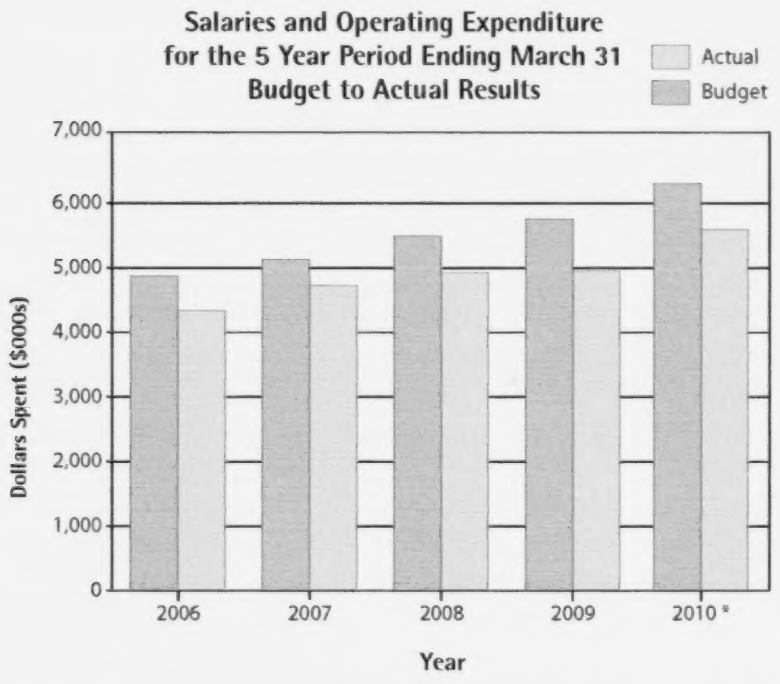
## Salaries and Operating Expenditures

The following chart reflects the budget to actual expenditures of the Office over the past five years. The 2010 expenditures versus the prior year is attributable to higher salary, benefit and rent costs.

In 2009/10 we had approval for 53 full time equivalent staff.

Figure 3




* excludes one time capital costs related to the office renovations to ensure comparability to prior years.

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## Management's Responsibility for Financial Statements

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2010 are the responsibility of management of the Office. Management has prepared the financial statements to comply with The Auditor General Act and with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including an organizational structure that effectively segregates duties. These controls provide reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded and financial information is reliable and accurate.

The financial statements have been audited by the firm of Frostiak & Leslie Chartered Accountants Inc. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the financial statements, is attached.

Carol Bellringer, FCA, MBA
Auditor General
May 31, 2010

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Auditors' Report

**FROSTIAK & LESLIE**
*Chartered Accountants Inc.*
www.cafinancialgroup.com

CA.COM FINANCIAL GROUP

Larry H. Frostiak, FCA, CFP, TEP  Kenneth T. Leslie, CA  Myles L. Pouteau, CA, TEP, CAFA  Angela D. Zam, CA, CPA, CAFA

## AUDITORS' REPORT

### TO THE LEGISLATIVE ASSEMBLY OF MANITOBA

We have audited the statement of financial position of the Office of the Auditor General of Manitoba as at March 31, 2010 and the statements of operations and net assets available and cash flows for the year then ended. These financial statements are the responsibility of the Office of the Auditor General. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General as at March 31, 2010 and the results of its operations and net assets available and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 31, 2010

Frostiak + Leslie
Chartered Accountants Inc.

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Financial Statements and Notes

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA
### STATEMENT OF FINANCIAL POSITION

As at March 31, 2010, with comparative figures for 2009 (000's)

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash | $ 340 | $ 4 |
| Accounts receivable | 27 | 65 |
| Short-term receivable - Province of Manitoba | 413 | 375 |
| Prepaid expenses | 83 | 145 |
| Accrued revenue - audit fees | 166 | 171 |
| | 1,029 | 760 |
| Long-term receivable - | | |
| Province of Manitoba (note 3) | 9,645 | 9,430 |
| Capital assets (note 4) | 718 | 184 |
| | $ 11,392 | $ 10,374 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities | | |
| Accounts payable | $ 360 | $ 38 |
| Accrued liabilities | 83 | 21 |
| Accrued vacation pay | 413 | 375 |
| | 856 | 434 |
| Provision for employee severance benefits (note 6) | 534 | 492 |
| Provision for employee pension benefits (note 7) | 9,111 | 8,938 |
| | 9,645 | 9,430 |
| Net assets available | 891 | 510 |
| Commitment (note 8) | | |
| | $ 11,392 | $ 10,374 |

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Manitoba:

**Original document signed by:**
**Carol Bellringer** Auditor General

**Original document signed by:**
**Norman Ricard** Executive Director, Strategic Initiatives

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# OFFICE OF THE AUDITOR GENERAL OF MANITOBA

## STATEMENT OF OPERATIONS AND NET ASSETS AVAILABLE

Year ended March 31, 2010, with comparative figures for 2009 (000's)

| | 2010 | 2009 |
|---|---|---|
| **Revenue** | | |
| Province of Manitoba (note 5) | $ 6,399 | $ 5,360 |
| Audit fees | 862 | 860 |
| | 7,261 | 6,220 |
| **Expenses** | | |
| Operating | | |
| Salaries and benefits (note 7) | 5,153 | 2,776 |
| Professional fees | 800 | 807 |
| Professional development | 165 | 173 |
| Office rent | 258 | 169 |
| Office administration | 172 | 147 |
| Information technology | 89 | 144 |
| Memberships and publications | 49 | 45 |
| Printing | 36 | 26 |
| Travel | 19 | 4 |
| Interest and bank charges | 1 | 1 |
| | 6,742 | 4,292 |
| Amortization | | |
| Capital assets | 138 | 101 |
| Write-down | | |
| Long-term receivable - Province of Manitoba (note 3) | - | 1,969 |
| Total Expenses | 6,880 | 6,362 |
| Excess of revenue over expenses (deficit) | 381 | (142 |
| Net assets available, beginning of year | 510 | 652 |
| Net assets available,end of year | $ 891 | $ 510 |

See accompanying notes to financial statements.

Web Version

# OFFICE OF THE AUDITOR GENERAL OF MANITOBA
## STATEMENT OF CASH FLOWS

Year ended March 31, 2010, with comparative figures for 2009 (000's)

| | 2010 | 2009 |
|---|---|---|
| Operating activities | | |
| Excess of revenue over expenses (deficit) | $ 381 | $ (142) |
| Items not involving a current outlay of cash | | |
| Amortization | 138 | 101 |
| Actuarial gain on pension obligation | - | (1,969) |
| Write-down of Long-term receivable - Province of Manitoba | - | 1,969 |
| | 138 | 101 |
| Net change in working capital balances | | |
| Accounts receivable | 38 | 35 |
| Short-term receivable - Province of Manitoba | (38) | (7) |
| Prepaid expenses | 62 | 153 |
| Accrued revenue - audit fees | 5 | (27) |
| Accrued vacation pay | 38 | 7 |
| Accounts payable & accrued liabilities | 384 | (73) |
| Long-term receivable - Province of Manitoba | (215) | 1,529 |
| Provision for employee severance | 42 | 34 |
| Provision for employee pension | 173 | (1,563) |
| | 489 | 88 |
| Net increase in cash from operations | 1,008 | 47 |
| Investing activities | | |
| Purchases of capital assets | (672) | (55) |
| Net Increase (decrease) in cash | 336 | (8) |
| Cash, beginning of year | 4 | 12 |
| Cash, end of year | $ 340 | $ 4 |

See accompanying notes to financial statements.

Web Version

# OFFICE OF THE AUDITOR GENERAL OF MANITOBA
## NOTES TO FINANCIAL STATEMENTS

March 31, 2010 (000's)

## 1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

The Auditor General is appointed under The Auditor General Act (Chapter 39) as an officer of the Legislature. The Act provides for the establishment of the Office of the Auditor General of Manitoba (the Office) and sets out the authority and powers of the Auditor General, identifies the audit services to be provided, and establishes reporting responsibilities.

The Office is economically dependent on the Province of Manitoba. The annual estimates for the operations of the Office are approved by the Legislative Assembly Management Commission and are included in the Government's estimates which are voted through the Appropriation Act by the Legislative Assembly. The expenditures of the Office are reflected in the Public Accounts of the Province.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Auditor General Act does not specify the financial reporting model to be used by the Office. To fully disclose the nature and extent of our operations, the Office began in 1997 to prepare its financial statements in accordance with Canadian generally accepted accounting principles. The financial statements reflect the following policies:

a) Revenue from the Province of Manitoba (note 5 includes more detailed explanations)

Section 27(3) of the Auditor General Act states: "The money required for the purpose of this Act is to be paid out of the Consolidated Fund from money authorized by an Act of the Legislature."

As a result, Revenue from the Province of Manitoba is comprised of the following components:

i) Funding received from the Consolidated Fund to cover the operating costs of the Office.

ii) A reduction for certain recoveries.

iii) An amount equal to increases in the value of future benefits earned by the Office's employees (pension, severance and vacation).

b) Revenue from audit fees

Section 23(b) of the Auditor General Act states: "The Auditor General may charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council." The Office is the financial statement auditor for a number of government related entities that account for their financial activities outside of the Consolidated Fund. The Office charges a fee for this service. Audit fee revenue is recognized on the basis of the percentage of work completed. The amount reflected as work in process is valued at its estimated billable amount.

c) Leases

Leases are classified as operating leases and the related lease payments are charged to expense as incurred.

Web Version

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2010 (000's)

d) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. The more subjective of these are estimating the pension obligation and severance liability. Actual results could differ from those estimates.

e) Amortization

Capital assets are stated at cost. Capital assets are amortized using the straight line basis over the estimated useful life of the capital assets as follows:

| | |
|---|---|
| Computer software licenses | the life of the license if over 1 year |
| Computer hardware and software | 3 years |
| Furniture and fixtures | 10 years |
| Leasehold improvements | 10 years |

f) Employer's share of Employees' Pension Benefits

Employees of the Office are pensionable under the Civil Service Superannuation Act. The Office accrues a provision for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation using the accrued benefit cost method and management's best estimates of salary escalation, retirement ages of employees and employee mortality. Actuarial gains or losses are recognized in the year they are incurred.

g) Vacation and Severance Benefits

Employees of the Office are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. A liability is recorded for the value of vacation entitlements earned but not yet taken. A liability is also recorded for severance benefits earned. The severance liability is based on an actuarial valuation using the accrued benefit cost method and management's best estimates of salary escalation, retirement ages of employees and employee mortality. Actuarial gains or losses are recognized in the year they are incurred.

h) Financial Instruments

Canadian generally accepted accounting principles require that financial instruments be classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale, or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Office when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

Financial instruments are initially recognized at fair value and then subsequently at amortized cost with gains and losses recognized in the Statement of Operations in the period in which the gain or loss occurs. The fair value of a financial instrument is the estimated amount that the Office would receive or pay to settle a financial instrument at the reporting date.

Web Version

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2010 (000's)

The financial instruments of the Office are classified and measured as follows:

| Financial Asset/Liability | Category | Measurement |
|---|---|---|
| Cash | Held for trading | Fair value |
| Accounts receivable | Loans and receivables | Amortized cost |
| Short term receivable - Province of Manitoba | Loans and receivables | Amortized cost |
| Accrued revenue - audit fees | Loans and receivables | Amortized cost |
| Long-term receivable - Province of Manitoba | Loans and receivables | Amortized cost |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |

The fair value of Cash, Accounts receivable, Short-term receivable - Province of Manitoba, Accrued revenue - audit fees, Accounts payable and Accrued liabilities approximate their carrying values. The Long-term receivable - Province of Manitoba is equal to the actuarially determined Provision for employee pension benefits (notes 3 and 6). The carrying value of this receivable approximates its fair value as the interest component is comparable to current market.

*Risk Management*

The financial instruments of the Office and the nature of the risks which they may be subject to are as follows:

| Financial Instrument | Credit Risk | Liquidity Risk |
|---|---|---|
| Cash | X | |
| Accounts receivable | X | |
| Short term receivable - Province of Manitoba | X | |
| Accrued revenue - audit fees | X | |
| Long-term receivable - Province of Manitoba | X | |
| Accounts payable, Accrued liabilities | | X |
| Accrued vacation pay | | X |

*Credit Risk*

The Office is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The maximum exposure of the Office to credit risk at March 31, 2010 is as follows:

| | |
|---|---|
| Cash | $ 340 |
| Receivables | 10,251 |
| | $ 10,591 |

Management believes that credit risk with respect to receivables is limited due to the parties involved. Receivables from the Government and other public sector organizations at March 31, 2010 comprised 100% of the Office's total receivables.

Web Version

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2010 (000's)

The Office has not set up an allowance for doubtful accounts as it is confident all amounts will be collected. The Long-term receivable - Province of Manitoba ($9,645) reflects the Province's commitment to fund pension and severance obligations. While the Office accrues the liability and the related funding commitment from the Province as the benefits are earned by Office employees, the Province will only provide the related funding when the benefits are required to be paid to individuals, with the exception of employer current service pension costs (commenced April 1, 2009). For the year ended March 31, 2010, the Province paid pension benefits of $700 (2009 - $436) and severance benefits of $20 (2009 - $53).

*Liquidity Risk*

Liquidity risk is the risk that the Office will not be able to meet its obligations as they come due. The Office minimizes its liquidity risk by preparing and monitoring detailed forecasts of cash flow requirements, ensuring these forecasts are within our LAMC approved estimates, and drawing from our Consolidated Fund appropriation the required amounts on a quarterly basis.

## 3. LONG-TERM RECEIVABLE - PROVINCE OF MANITOBA

The Province has accepted responsibility for funding the Office's pension and severance obligations. The Office has therefore recorded a Long-term receivable from the Province of Manitoba equal to the total of the estimated values of its actuarially determined pension and severance obligations (notes 6 and 7). Annually, the Office includes in its calculation of Revenue from the Province of Manitoba the value of future pension and severance benefits earned by Office employees (note 5).

The Long-term receivable includes an interest component that is comparable to current market.

## 4. CAPITAL ASSETS

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computer hardware and software | $ 743 | $ 605 | $ 647 | $ 506 |
| Furniture and fixtures | 497 | 59 | 237 | 194 |
| Leasehold improvements | 150 | 8 | - | - |
| | $ 1,390 | $ 672 | $ 884 | $ 700 |
| Net book value | $ 718 | | $ 184 | |

Web Version

# OFFICE OF THE AUDITOR GENERAL OF MANITOBA
## NOTES TO FINANCIAL STATEMENTS

March 31, 2010 (000's)

## 5. REVENUE FROM THE PROVINCE OF MANITOBA AND UNEXPENDED MONEY

Revenue for the Province of Manitoba is comprised of the following components:

*Funding from the Consolidated Fund*

Every year the Office's estimates are approved by the Legislative Assembly Management Commission. The Office records as revenue from the Province of Manitoba only the portion of the approved estimates that was expended. Expended amounts include:

- Current year operating expenses, excluding amortization and professional fees paid to our agents (see below);
- Capital assets purchased; and
- The prepayment of expenses.

Any unexpended difference "lapses" and is not available to the Office after the end of the fiscal year. As noted below, for the year ended March 31, 2010, the Office lapsed $813 (2009 - $742).

*A reduction for recoveries*

Section 23(b) of the Auditor General Act states: " The Auditor General may charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council." The Office is the financial statement auditor for a number of government related entities that account for their financial activities outside of the Consolidated Fund. The Office charges a fee for this service.

When calculating Revenue from the Province of Manitoba, funding from the Consolidated Fund (as noted above) is reduced by the fees we charge other organizations for work conducted by Office employees. Such audit fees are recorded as Audit fee revenue and represent a recovery of the salaries and other expenses paid for by the Office with money received from the Consolidated Fund. The fees collected from these organizations are returned to the Consolidated Fund.

For audits where we use an audit firm to act as our agent, the audit fees collected from an organization are not returned to the Consolidated Fund, but rather are used to pay our agent. The audit fees that we charge an organization will approximate the amount billed by our agent. Using agents to conduct financial statement audits allows the Office to assign more of its staff resources to the Office's other product lines.

*The value of future benefits earned by Office employees*

The final element that comprises Revenue from the Province of Manitoba is the value of future pension, severance and vacation benefits earned by Office employees (see notes 6 & 7).

Web Version

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2010 (000's)

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Funding from the Consolidated Fund | Revenue | Funding from the Consolidated Fund | Revenue |
| Estimates approved by the Legislative Assembly Management Commission: | | | | |
| - Salaries and benefits | $ 5,115 | | $ 4,672 | |
| - Operating | 1,211 | | 1,091 | |
| - Capital - renovations | 743 | | - | |
| | 7,069 | | 5,763 | |
| Funding from the Consolidated Fund: | | | | |
| - Salaries and benefits | 4,085 | | 3,786 | |
| - Operating expenditures | 1,271 | | 1,150 | |
| - Capital - renovations | 618 | $ 5,974 | - | $ 4,936 |
| - Employer pension contributions | 247 | | - | |
| - Severance payments | 20 | | 53 | |
| - Vacation payments | 15 | | 32 | |
| | 6,256 | | 5,021 | |
| **Unexpended Money** | $ 813 | | $ 742 | |
| A reduction for recoveries | | (562) | | (544) |
| The value of future benefits earned by Office employees: | | | | |
| - Pension | | 873 | | 843 |
| - Severance | | 62 | | 87 |
| - Vacation | | 52 | | 38 |
| | | 987 | | 968 |
| **Revenue from the Province of Manitoba** | | $ 6,399 | | $ 5,360 |

Commencing April 1, 2009, the Office paid the employer's share of the current pension service cost.

Web Version

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2010 (000's)

## 6. PROVISION FOR EMPLOYEE SEVERANCE BENEFITS

Employees of the Office earn severance benefits based on one week of salary for each year of service up to a maximum of fifteen weeks. Employees who retire in accordance with the provisions of The Civil Service Superannuation Act will also be eligible for the following:

a) employees with 20 or more years of accumulated service, an additional 2 weeks of pay;
b) employees with 25 or more years of accumulated service, an additional 2 weeks of pay plus the amount in a) above;
c) employees with 30 or more years of accumulated service, an additional 2 weeks of pay plus the amounts in a) and b) above;
d) employees with 35 or more years of accumulated service, an additional 2 weeks of pay plus the amounts in a) and b) and c) above.

The Provision for employee severance benefits is determined as follows:

| | 2010 | 2009 |
|---|---|---|
| Balance at beginning of year | $ 492 | $ 458 |
| Actuarial loss | - | 27 |
| Benefits accrued | 28 | 25 |
| Interest accrued | 34 | 35 |
| Benefits paid | (20) | (53) |
| Balance end of year | $ 534 | $ 492 |

The severance obligations are determined by an actuarial valuation every three years. The most recent actuarial report is dated December 31, 2007 (received in June 2009). The key actuarial assumptions in the December 31, 2007 actuarial report are a rate of return of 6.5% (2004 - 6.5%), an inflation rate of 2.5% (2004 - 2.5%) and a salary rate increase of 3.25% (2004 - 3.25%). The provision has been extrapolated to March 31, 2010 using a formula provided by the actuary.

Web Version

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2010 (000's)

## 7. PROVISION FOR EMPLOYEE PENSION BENEFITS

Employees of the Office participate as members of the Civil Service Superannuation Plan, a defined benefit pension plan.

The Provision for employee pension benefits is determined as follows:

| | 2010 | 2009 |
|---|---|---|
| Balance at beginning of year | $ 8,938 | $ 10,500 |
| Actuarial (gain) | - | (1,969) |
| Current service costs | 247 | 246 |
| Interest accrued | 626 | 597 |
| Benefits paid | (453) | (436) |
| Current service costs funded | (247) | - |
| Balance at end of year | $ 9,111 | $ 8,938 |

The net pension benefit expense, which is included in Salaries and Benefits, is determined as follows:

| | | |
|---|---|---|
| Current service cost - employer portion | $ 247 | $ 246 |
| Interest costs | 626 | 597 |
| Actuarial (gain) | - | (1,969) |
| Net pension expense (recovery) | $ 873 | $ (1,126) |

The pension obligation is determined by an actuarial valuation every three years. The most recent actuarial report is dated December 31, 2007 (received in June 2009). The key actuarial assumptions in the December 31, 2007 actuarial report are a rate of return of 6.5% (2004 - 6.5%), an inflation rate of 2.5% (2004 - 2.5%), a salary rate increase of 3.25% (2004 - 3.25%) and post retirement indexing at 2/3 of the inflation rate. The liability was extrapolated to March 31, 2010 using a formula provided by the actuary.

The Office's portion of the pension benefits paid to retired employees is processed through central appropriations of the Government.

Commencing April 1, 2009, the Office paid the employer's share of the current pension service cost.

## 8. COMMITMENT

The Office's premises are leased by Manitoba Infrastructure and Transportation (MIT) from the owner of 330 Portage Avenue, Winnipeg, Manitoba. MIT charges back to the Office the full cost of the lease. Minimum annual lease payments are approximately $284 for the first 5 years and $296 for the next 5 years, not including additional adjustments for occupancy costs which may be applicable for years 2 through 10 of the lease. The lease expires August 31, 2019.

Web Version

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2010 (000's)

### 9. CAPITAL MANAGEMENT

The Office has defined capital as its Net assets available. Each year the Office's estimates are approved by the Legislative Assembly Management Commission and an appropriation is set up from which expenditures are made. The Office's objective when managing capital is to ensure sufficient cash balances are available to cover its cost of operations. Office salaries are drawn directly from our appropriation by the civil service payroll system. For all other operating expenditures, money is drawn and deposited into our bank account on a quarterly basis, in sufficient amounts to meet our expected operating expenditures for the quarter. Any unexpended balance at the end of the year "lapses" and is no longer available to the Office (see note 5). There were no changes to the Office's approach to capital management during the period. The Office is not subject to externally imposed capital requirements.

### 10. POTENTIAL CHANGES TO THE OFFICE'S FINANCIAL REPORTING MODEL

The Auditor General Act provides no guidance on the nature of financial information to be publically reported by the Office. The financial reporting model used by the Office has been in place since 1997, with various enhancements made as needed. While it has served the Office well, we are assessing how best to continue reporting on the nature and extent of our operations. Our goal is to ensure that legislators receive information on our operations that is understandable, sufficiently detailed and responsive to our operating context. Options include preparing financial statements in accordance with Public Sector Accounting Standards or disclosing specified financial information.

Web Version

# Appendices

Web Version

Return to Table of Contents

# The Auditor General Act

Appendix A



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C.C.S.M. c. A180

## The Auditor General Act

Table of Contents

(Assented to July 6, 2001)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

### PART 1

### DEFINITIONS

**Definitions**

1 In this Act,

**"department"** means a department or branch of the government; (« ministère »)

**"external auditor"** means a professional auditor or firm of professional auditors appointed to audit the financial statements of a government organization; (« vérificateur externe »)

**"government organization"** means a department, government agency or fund included in the summary financial statements of the government reporting entity referred to in clause 65(1)(b) of *The Financial Administration Act*; (« organisme gouvernemental »)

**"public money"** means public money as defined in *The Financial Administration Act*; (« fonds publics »)

**"recipient of public money"** means

(a) a person, organization or other body

(i) that has received, directly or indirectly, a grant, loan or advance from the government or a government organization,

(ii) to whom the government or a government organization has transferred property for no consideration or consideration substantially less than its fair market value, or

(iii) for whom the government or a government organization has guaranteed the performance of an obligation or given an indemnity,

(b) a business entity or organization that has received a tax credit under a Manitoba law, or

Web Version

## Appendix A (cont'd) The Auditor General Act



(c) a business entity or organization that has issued a share, debt obligation or other security, if a person is eligible for a tax credit under a Manitoba law in respect of that acquisition or ownership of the security,

but does not include a government organization. (« bénéficiaire de fonds publics »)

### PART 2

### AUDITOR GENERAL

**Appointing the Auditor General**
2(1) On the recommendation of the Standing Committee of the Assembly on Legislative Affairs, the Lieutenant Governor in Council must appoint an Auditor General of Manitoba, as an officer of the Assembly, to provide the Assembly with independent information, advice and assurance under this Act.

**Role respecting government policy objectives**
2(2) Nothing in this Act is to be interpreted as entitling the Auditor General to question the merits of policy objectives of government.

S.M. 2004, c. 42, s. 97.

**Appointment process**
3(1) The President of the Executive Council must convene a meeting of the Standing Committee on Legislative Affairs if

(a) the office of Auditor General is vacant;

(b) the term of the Auditor General in office will expire within 12 months; or

(c) the Auditor General has resigned and the resignation takes effect within 12 months.

**Recommendations of committee**
3(2) The Standing Committee on Legislative Affairs must consider candidates for the position of Auditor General and make recommendations to the President of the Executive Council.

**Meetings of committee**
3(3) To carry out its responsibilities, the Standing Committee on Legislative Affairs may meet during a session of the Legislature or during a recess after prorogation.

**No other public office**
3(4) The Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

S.M. 2004, c. 42, s. 97.

**Term**
4 The Auditor General is to hold office during good behaviour for a term of 10 years, and may be reappointed for further terms of 10 years each.

**Salary**
5(1) The Auditor General must be paid a salary within the range of salaries paid to senior deputy ministers in the civil service, and is entitled to the same privileges of office as a senior deputy minister.

**No reduction in salary**

Web Version

# The Auditor General Act





5(2) The Auditor General's salary must not be reduced except by a resolution of the Assembly carried by a vote of 2/3 of the members voting.

**Civil Service Superannuation Act applies**
6(1) The Auditor General is an employee within the meaning of *The Civil Service Superannuation Act*.

**Civil Service Act does not apply**
6(2) *The Civil Service Act*, except sections 42 and 43, does not apply to the Auditor General.

**Suspension or removal**
7(1) The Lieutenant Governor in Council may suspend or remove the Auditor General from office on a resolution of the Assembly carried by a vote of 2/3 of the members voting.

**Suspension if Assembly not sitting**
7(2) When the Assembly is not sitting, the Lieutenant Governor in Council may suspend the Auditor General for cause, if advised to do so in writing by a majority of a committee consisting of the President of the Executive Council and the recognized leaders of the members belonging to the political parties in opposition. But a suspension imposed when the Assembly is not sitting may not continue beyond the end of the next sitting.

**Deputy Provincial Auditor General**
8(1) On the Auditor General's recommendation, the Lieutenant Governor in Council may appoint a Deputy Auditor General in accordance with *The Civil Service Act*.

**Duties**
8(2) If the Auditor General is absent or unable to act or if the office is vacant, the Deputy Auditor General has the powers and must carry out the responsibilities of the Auditor General.

**Salary in certain cases**
8(3) During any period that the Deputy Auditor General must assume the Auditor General's responsibilities for an extended period, the Lieutenant Governor in Council may direct that the Deputy be paid a salary within the same range as the Auditor General.

**No other public office**
8(4) The Deputy Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

## PART 3

## RESPONSIBILITIES OF THE AUDITOR GENERAL

### AUDIT OF ACCOUNTS AND FINANCIAL STATEMENTS

**Audit of government accounts**
9(1) The Auditor General is the auditor of the accounts of the government, including those relating to the Consolidated Fund, and must make any examinations and inquiries that he or she considers necessary to enable the Auditor General to report as required by this Act.

**Audit of other public money**
9(2) The Auditor General is responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise.

Web Version



Return to Table of Contents

## Appendix A (cont'd) The Auditor General Act



**Audit of the Public Accounts**
9(3) The Auditor General is responsible for examining and auditing the financial statements included in the Public Accounts under *The Financial Administration Act*, and any other statements the Minister of Finance presents for audit.

**Opinion about the Public Accounts**
9(4) The Auditor General must express an opinion as to whether the financial statements included in the Public Accounts fairly present information in accordance with the accounting policies of the government stated in the Public Accounts and on a basis consistent with that of the preceding year, and must set out any reservations the Auditor General might have.

**Report to ministers**
9(5) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly under subsection 10(1).

**Advice to officials**
9(6) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

**Annual report to Assembly**
10(1) No later than December 31 in each year, the Auditor General must report to the Assembly about the examinations and audits conducted under section 9.

**Content of the report**
10(2) The report must indicate anything resulting from the work of the Auditor General that he or she considers should be brought to the Assembly's attention, including, but not limited to, circumstances in which

(a) required information was not provided or was not provided within a reasonable time;

(b) accounts were not properly kept or public money was not fully accounted for;

(c) essential records were not maintained, or the rules and procedures applied were insufficient, to

(i) safeguard and control public property,

(ii) secure an effective check on the assessment, collection and proper allocation of revenue, or

(iii) ensure that expenditures were made only as authorized;

(d) public money was expended for purposes other than those for which it was appropriated by the Legislature;

(e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

**Report may include recommendations**
10(3) The report may include any recommendation the Auditor General wishes to make, and may

Web Version



Return to Table of Contents

# The Auditor General Act





draw attention to and make recommendations about any audit conducted by an external auditor under section 12.

## SPECIAL REPORT TO ASSEMBLY

**Special report to Assembly**
11 The Auditor General may make a special report to the Assembly on any matter of pressing importance or urgency that he or she considers should not be deferred until the next annual report under section 10 is presented.

## AUTHORITY OVER EXTERNAL AUDITORS

**Scope of an external audit**
12(1) When an external auditor is appointed to audit the financial statements of a government organization, the Auditor General may require the external auditor to give the Auditor General a description of the proposed scope of the audit before the audit is begun. The Auditor General may then require changes to be made in the scope of the audit.

**Further directions**
12(2) Before an external auditor issues an audit opinion on the financial statements of a government organization, the Auditor General may require the external auditor to

(a) give the Auditor General a copy of the proposed audit opinion, the financial statements, and any recommendations arising out of the audit of the financial statements; and

(b) conduct additional examinations relating to the financial statements.

**Audit working papers**
12(3) The Auditor General may require an external auditor to give the Auditor General a copy of the audit working papers.

**Audit opinion**
12(4) As soon as an audit is completed, an external auditor must give the Auditor General a copy of the audit opinion on the financial statements of a government organization and any recommendations arising out of the audit of the financial statements.

**Reliance on external auditor's report**
13 In order to fulfil his or her responsibilities as the auditor of the government's accounts, the Auditor General may rely on the report of an external auditor of a government organization or of a subsidiary of a government organization.

## AUDIT OF OPERATIONS

**Audit of operations**
14(1) In carrying out his or her responsibilities under this Act, the Auditor General may examine and audit the operations of a government organization with regard to any of the following matters:

(a) whether financial and administrative provisions of Acts, regulations, policies and directives have been complied with;

(b) whether public money has been expended with proper regard for economy and efficiency;

(c) whether the Assembly has been provided with appropriate accountability information;

Web Version

Appendix A (cont'd) The Auditor General Act



(d) whether the form and content of financial information documents is adequate and suitable.

**Report to ministers**
14(2) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly.

**Report to officials**
14(3) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

**Report to Assembly**
14(4) The Auditor General must report to the Assembly annually on the work carried out under this section, and may bring to the Assembly's attention anything he or she considers necessary, including recommendations.

## AUDIT OF RECIPIENT OF PUBLIC MONEY

**Audit of recipient of public money**
15(1) The Auditor General may conduct an examination and audit in respect of public money received by a recipient of public money, including the matters listed in subsection 14(1), and may require the recipient to prepare and give to the Auditor General the financial statements setting out the details of the disposition of the public money received.

**No obstruction**
15(2) No person shall obstruct or provide false or misleading information to the Auditor General or a person employed under the Auditor General in conducting an examination or audit under this section, or conceal or destroy any records or things relevant to an examination or audit.

**Offence**
15(3) A person who contravenes subsection (2) is guilty of an offence and is liable on summary conviction to a fine of not more than $10,000.

**Reliance on report of other auditor**
15(4) The Auditor General may rely on the report of an auditor appointed by a recipient of public money.

## SPECIAL AUDIT ON REQUEST

**Special audit on request**
16(1) When requested to do so by the Lieutenant Governor in Council or the Minister of Finance, or by resolution of the Standing Committee on Public Accounts, the Auditor General may examine and audit the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. But the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General.

**Report**
16(2) The Auditor General must report the findings of an audit under this section to the person or body that requested the audit and to the minister responsible for any government organization concerned.

Web Version

**Report submitted to the Assembly**
16(3) The Auditor General may submit a report of an audit under this section to the Assembly if it is in the public interest to do so, but must allow at least 14 days for the minister responsible for the government organization and the Minister of Finance to review and comment on the report before finalizing it for submission to the Assembly.

### JOINT AUDIT

**Joint audit**
17 With respect to public money that is spent jointly, the Auditor General may undertake a joint audit with the Auditor General of Canada, an Auditor General or Provincial Auditor of another province or territory, or an auditor of a municipality.

## PART 4

## POWERS OF THE AUDITOR GENERAL

**Access to records**
18(1) Despite any other Act, the Auditor General is entitled to access at all reasonable times to the records of any government organization that are necessary for the purpose of this Act.

**Access to information**
18(2) The Auditor General may require and is entitled to receive any information necessary for the purpose of this Act from

(a) any person in the public service or formerly in the public service;

(b) any current or former director, officer, employee or agent of a government organization or of a recipient of public money; or

(c) any other person, organization or other body that the Auditor General believes on reasonable grounds may have information relevant to an examination or audit under this Act.

**No access to Cabinet confidences**
18(3) Despite subsections (1) and (2), the Auditor General shall not have access to information described in subsection 19(1) of *The Freedom of Information and Protection of Privacy Act*, except in the circumstances mentioned in subsection 19(2) of that Act.

**Part V of Evidence Act powers**
19 The Auditor General or his or her delegate may examine any person on oath on any matter that the Auditor General considers relevant to an examination and audit under this Act, and for that purpose the Auditor General or delegate has the powers of a commissioner appointed under Part V of *The Manitoba Evidence Act*.

**Staff in government organizations**
20 To carry out responsibilities under this Act more effectively, the Auditor General may place a person or persons employed under the Auditor General in any government organization, and the organization must provide the necessary office accommodation.

**Security requirements**
21 The Auditor General must ensure that every person employed under the Auditor General who is to examine records of a government organization complies with any security requirements applicable to persons employed in that organization.

Web Version

Appendix A (cont'd) The Auditor General Act



## PART 5

## GENERAL PROVISIONS

### STAFF AND OFFICE OF THE AUDITOR GENERAL

**Staff appointed under Civil Service Act**
22(1) Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*.

**Civil Service Superannuation Act applies**
22(2) Officers and employees of the Auditor General, including the Deputy Auditor General, are employees within the meaning of *The Civil Service Superannuation Act*.

**Office of the Auditor General**
23 The Auditor General is responsible for the internal operations of his or her office and for the persons employed under the Auditor General. For those purposes, the Auditor General may

(a) establish office policies and procedures consistent with practices followed by the government;

(b) charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council;

(c) delegate to any person employed under the Auditor General any responsibility or power that the Auditor General has under this Act, other than the responsibility to report to the Assembly;

(d) maintain an independent bank account; and

(e) contract for professional services.

### CONFIDENTIALITY

**Confidentiality**
24(1) The Auditor General and everyone employed under the Auditor General shall preserve secrecy concerning all matters that come to their knowledge in the course of their work under this Act, and shall not communicate those matters to any person unless required to do so in connection with the proper administration of this Act or a proceeding under this Act, or in a court of law.

**Exception**
24(2) Nothing in subsection (1) limits the Auditor General's right to report under this Act on the conclusions of an examination or audit.

**Working papers confidential**
25 The working papers relating to an examination or audit by the Auditor General or a person employed under the Auditor General are confidential and must not to be laid before the Assembly or any committee of the Assembly.

### ANNUAL REPORT OF AUDITOR GENERAL'S OFFICE

**Annual audit of Auditor General's office**
26(1) Each year, an auditor whose appointment is approved by the Legislative Assembly Management Commission must examine the accounts of the office of the Auditor General and prepare

Web Version

# The Auditor General Act





a report. The Commission may also direct the auditor to conduct an audit respecting any of the matters listed in subsection 14(1).

**Annual report**
26(2) Before August 1 each year, the Auditor General must report to the Assembly on the operations of his or her office. The report must include

(a) information on the performance of the office; and

(b) the report on the annual audit under subsection (1).

## ESTIMATES

**Estimates**
27(1) The Auditor General shall present annually to the Legislative Assembly Management Commission estimates of the amount of money that will be required for the purpose of this Act.

**Special report**
27(2) The Auditor General may make a special report to the Assembly if he or she thinks that the amount of money provided in the estimates submitted to the Legislature is inadequate.

**Money**
27(3) The money required for the purpose of this Act is to be paid out of the Consolidated Fund from money authorized by an Act of the Legislature.

**Unexpended money to be paid into Consolidated Fund**
27(4) All money which has been authorized by an Act of the Legislature to be paid and applied for the purposes of this Act that remains unexpended at the end of the fiscal year must be paid to the Minister of Finance and becomes part of the Consolidated Fund.

## TABLING REPORTS IN THE ASSEMBLY

**Tabling reports in the Assembly**
28(1) When making a report to the Assembly under this Act, the Auditor General must submit the report to the Speaker. The Speaker must lay a copy of it before the Assembly within 15 days after receiving it if the Assembly is sitting or, if it is not, within 15 days after the beginning of the next sitting.

**Distribution to members of the Assembly**
28(2) On receiving a report under this Act, the Speaker must direct that copies be sent to the members of the Assembly.

**Referral to Public Accounts Committee**
28(3) A report to the Assembly under this Act stands referred to the Standing Committee on Public Accounts.

## PROTECTION FROM LIABILITY

**Protection from liability**
29 No proceeding may be instituted against the Auditor General, the Deputy Auditor General, or any person employed under the Auditor General,

(a) for any act done in good faith in the performance or intended performance of a duty or in the

Web Version



Return to Table of Contents

## Appendix A (cont'd) The Auditor General Act



exercise or intended exercise of a power under this or any other Act or regulation; or

(b) for any neglect or default in the performance or intended performance or in the exercise or intended exercise in good faith of a duty or power described in clause (a).

### TRANSITIONAL, CONSEQUENTIAL, REPEAL AND COMING INTO FORCE

*Transitional*

30 *The Provincial Auditor appointed under* ***The Provincial Auditor's Act*** *continues in office as the Auditor General under this Act as if appointed under this Act for a term that expires on the day the appointment under* ***The Provincial Auditor's Act*** *would expire.*

31

**NOTE: The Schedule referred to in this section contained consequential amendments to other Acts that are now included in those Acts.**

**Repeal**

32 *The Provincial Auditor's Act*, R.S.M. 1987, c. P145, is repealed.

**C.C.S.M. reference**

33 This Act may be referred to as chapter A180 of the *Continuing Consolidation of the Statutes of Manitoba.*

**Coming into force**

34 This Act comes into force on a day fixed by proclamation.

**NOTE: S.M. 2001, c. 39 was proclaimed in force May 1, 2002.**

Table of Contents

Back Acts and Regulations > List of C.C.S.M. Acts Top

Web Version

# Listing of Audit Entities

Appendix B

## *Financial Statement Audits Conducted by the Auditor General's Office*

### Public Accounts

Summary Financial Statements
Statement of Calculation of Balance under the Balanced Budget, Fiscal Management and Tax Payer Accountability Act
Fiscal Stabilization Account
Debt Retirement Account
Report of Amounts Paid or Payable to Members of the Assembly

### Crown Organizations

Board of Administration under The Embalmers and Funeral Directors Act
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Council on Post Secondary Education
Legal Aid Services Society of Manitoba
Manitoba Gaming Control Commission
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Manitoba Housing and Renewal Corporation
Public Schools Finance Board
Special Operating Agencies Financing Authority
University College of the North
University of Manitoba (and controlled entities)

### Special Operating Agencies

Public Trustee

### Other

Canada-Manitoba Agreement on the Transfer of Federal Gas Tax Revenues
Civil Service Superannuation Fund
Estates and Trusts under Administration by the Public Trustee
Manitoba Home Care Employees' Benefits Trust Fund
Public Service Group Insurance Fund
Teachers' Retirement Allowances Fund
University of Manitoba Pension Plans
Winnipeg Child and Family Services Employee Benefits and Retirement Plan

Web Version

## Appendix B (cont'd) Listing of Audit Entities

### *Financial Statement Audits Conducted by the Auditor General's Office Under an Agency Agreement with a Private Sector Accounting Firm*

#### Public Accounts

Northern Affairs Fund

#### Crown Organizations

Brandon University (and controlled entities)
Centre culturel franco-manitobain
Economic Innovation and Technology Council
Helen Betty Osborne Foundation
Leaf Rapids Town Properties Ltd.
Manitoba Agricultural Services Corporation
Manitoba Centennial Centre Corporation
Manitoba Habitat Heritage Corporation
Manitoba Horse Racing Commission
Manitoba Water Services Board
University of Winnipeg

#### Special Operating Agencies

Manitoba Text Book Bureau
Organization and Staff Development

#### Other

Brandon University Retirement Plan
Labour Market Agreement
Labour Market Development Agreement
University of Winnipeg Pension Plan

### *Financial Statement Audits Conducted by Private Sector Accounting Firms With Overviews Performed by the Office of the Auditor General*

#### Crown Organizations

Addictions Foundation of Manitoba
Assiniboine Community College
Cancer Care Manitoba
Child and Family Services of Central Manitoba

Web Version

## Listing of Audit Entities

Appendix B (cont'd)

Child and Family Services of Western Manitoba
Collège universitaire de Saint-Boniface
Communities Economic Development Fund
Crown Corporations Council
Diagnostic Services of Manitoba Inc.
First Nations of Northern Manitoba Child & Family Services Authority
First Nations of Southern Manitoba Child & Family Services Authority
General Child and Family Services Authority
Insurance Council of Manitoba
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Community Services Council Inc.
Manitoba Development Corporation
Manitoba Film and Sound Recording Development Corporation
Manitoba Floodway Authority
Manitoba Hazardous Waste Management Corporation
Manitoba Health Research Council
Manitoba Opportunities Fund Ltd.
Manitoba Product Stewardship Corporation
Manitoba Trade and Investment Corporation
Métis Child and Family Services Authority
21 Personal Care Homes and 11 Health Clinics
Red River College
Regional Health Authorities:
- Assiniboine Regional Health Authority Inc.
- Brandon Regional Health Authority Inc.
- Burntwood Regional Health Authority Inc.
- Churchill Regional Health Authority Inc.
- Interlake Regional Health Authority Inc.
- Nor-Man Regional Health Authority Inc.
- North Eastman Health Authority Inc.
- Parkland Regional Health Authority Inc.
- Regional Health Authority – Central Manitoba Inc.
- South Eastman Health/Sante Sud-Est Inc.
- Winnipeg Regional Health Authority Inc.

Rehabilitation Centre for Children Inc.
38 School Divisions
Sport Manitoba Inc.
Travel Manitoba
Venture Manitoba Tours Ltd.

Web Version

## Appendix B (cont'd) Listing of Audit Entities

### Government Enterprises

Manitoba Hydro-Electric Board
Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board of Manitoba

### Special Operating Agencies

Civil Legal Services Agency
Companies Office
Crown Lands and Property Agency
Fleet Vehicles Agency
Green Manitoba Eco Solutions
Food Development Centre
Industrial Technology Centre
Manitoba Education Research and Learning Information Networks (MERLIN)
Manitoba Securities Commission
Materials Distribution Agency
Office of the Fire Commissioner
Pineland Forest Nursery
Property Registry
Vital Statistics Agency

Web Version

Version

Return to Table of Contents